

MONTANA BOARD OF HOUSING

The Pollard, 2 N Broadway

Red Lodge MT 59068

October 17, 2005

ROLL CALL OF BOARD

MEMBERS:

Bob Thomas, Chairman (Present)  
Judy Glendenning, Vice Chairman (Absent)  
J.P. Crowley, Secretary (Via teleconference)  
Susan Moyer (Present)  
Audrey Black Eagle (Present)  
Jeff Rupp (Present)  
Betsy Scanlin (Present)

STAFF:

Bruce Brensdal, Executive Director  
Nancy Leifer, Homeownership Program Manager  
Mat Rude, Multifamily Program Manager  
Chuck Nemec, Accounting & Finance Manager  
Jeannie Huntley, Promotions Manager  
Diana Hall, Administrative Assistant

COUNSEL:

John Wagner, Kutak Rock

UNDERWRITERS:

Peter Nolden, UBS Financial Services, Inc.  
Gordon Hoven, Piper Jaffray  
Bill Tierney, UBC Dain Rauscher

OTHERS:

Mary Lou Affleck, Fannie Mae  
Jim Stretz, G.K. Baum, Denver  
Susan Proffitt, Wells Fargo Home Mortgage  
Richard Gessling, City of Red Lodge  
Rod Proffitt, City of Red Lodge  
Harry Hollman, Century 21 & Red Lodge Affordable Housing Committee  
Reverend Brian Loewen, Alliance Chapel & Red Lodge Affordable Housing Committee  
Laura Getz, Avanta Federal Credit Union/ Red Lodge Area Econ Dev Corp  
Judy Toler, Red Lodge Flower Shop & Red Lodge Area Econ Dev Corp  
Tami Hoines, First Interstate Bank  
John Prinkki, Carbon County Commissioner  
Estelle Tafoya, Red Lodge Area Economic Development  
Elaine Novak, Beartooth RC&D  
Vicki Westrick, Dillon Mgmt

Steve Redinger, Intermountain Mortgage  
Joel Hunt, Bank of Red Lodge  
Julie Jones, Single Tree Consulting/Bridger  
Beth Siville, George K. Baum & Co.  
Bill Oser, past Board member

### **CALL MEETING TO ORDER & APPROVAL OF MINUTES**

Chairman Bob Thomas called the meeting to order at 8:30 a.m. Betsy Scanlin moved to accept the September 19, 2005 Board minutes. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

### **PUBLIC COMMENTS**

Mr. Thomas gave the history of Montana Board of Housing (MBOH). He asked the Board, staff, and guests to introduce themselves. During the public comment period, guests talked about housing conditions in Red Lodge, losing lower end housing for employees working with tourism, strategies to infill the city, older homes in poor condition, high land costs, senior housing that is ADA compliant, and the need to have city and county officials in agreement to embrace problems.

### **MULTIFAMILY PROGRAM**

Mat Rude said the Qualified Allocation Plan (QAP) has been signed by the Governor.

One hundred thousand dollars were returned from a 2004 Tax Credit project in Bozeman. Staff suggested using the credits for the Baxter Apartments, which is an approved project that was not completely funded in 2005. The remaining amount will go towards the 2006 Tax Credits. Betsy Scanlin moved to move \$11,477 of the returned Tax Credits to the Baxter Apartments and carry the remaining \$88,526 to the 2006 Tax Credits. Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Mat presented information on "Green Building Standards" from the Maine State Housing Authority to use as a starting point for green and energy-saving products for Montana.

### **PROMOTIONAL PROGRAM**

Jeannie Huntley said Montana Board of Housing (MBOH) has several celebrities. Bruce will appear in a PBS documentary on affordable housing. Mat Rude and Justin Schedel were on an Aging Horizons program in October. She said an article on the Reverse Annuity Mortgage Program (RAM) will appear in the Our Time portion of the Billings Gazette along with an ad for the program. Jeannie summarized the monthly and year to date highlights for the Housing Division.

### **ACCOUNTING PROGRAM**

Chuck Nemec gave the quarterly investment reports which followed the Governmental Accounting Standards Board (GASB) requirement to report deposit and investment risk disclosures. He said MBOH has a strong investment policy that limits the types of investments to government agencies or requires collateral for investment agreements. He showed the Board the investment account balances and their interest rates. Chuck said the Legislative Auditor's have the financial statements and will give a presentation to the Board at the next meeting.

### **SINGLE FAMILY PROGRAM**

Nancy presented the Real Estate Owned (REO) report showing one property listed. The loan delinquency analysis shows the statistics of delinquencies by servicer, county, setaside, and loan type.

The quarterly delinquency report compares MBOH with Montana, the Mountain Region, and the Nation and our delinquency rates are very low which reveals that our Servicers do a great job.

The 2005 A Program has 191 loans reserved for \$20,850,054 and 503 loans purchased for over \$53,285,172, which leaves approximately \$16,600,000 uncommitted in the program. Nancy said MBOH has averaged 7 reservations per day which is the same rate they were coming in during August. The statewide interest rate is 5.875% and MBOH's rate is 5.25%. The Board reiterated that the staff has authority to raise or lower the interest rate  $\frac{1}{4}\%$  without Board approval. Bruce explained the Bridge Programs. Nancy mentioned that that 2005 A bond issue is the first one that allows use of private mortgage insurance.

The recycled setaside summary shows \$34,900,416 committed to setasides. Nancy gave a brief description of each setaside. She said the funds are available from "Pre-Ullman" bond issues that have less restrictions.

The Mortgage Credit Certificate (MCC) summary report shows that 41 certificates have been issued and 5 loans are reserved. The funding is due to expire, so staff recommended creating a new program with \$5 million for 2 years. Jeff Rupp moved to adopt the Resolution No. 05-1017 S2 Susan Moyer seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Nancy said there will be conference call at noon for the refinancing bond issue. She gave the Board of copy of the schedule, a draft of the resolution that will be considered on Wednesday, and a draft of the supplement trust indenture. Bruce said the underwriters will give an update on the Montana Retail Order Period.

A demographic report showed Homeownership percentage by County. Nancy presented data on the top ten counties by income which revealed 55% of the population had 73% of the MBOH loans. The data on the lowest ten counties by income revealed that 5% of the population had 1.5% of MBOH loans. Nancy also offered data on population to loan percentage comparison, the 2003 per capita personal income, and demographics that indicated that statewide 35% of MBOH loans to households with incomes of \$30,000 or less, and that 40% of MBOH loans go to 3 person or larger households.

Mary Lou Afflect of Fannie Mae gave an update on Native American Lending. Montana has seven reservations. There is now a task force to combine agencies serving the Native Americans in Montana. Several accomplishments of the Task Force are: sending 22 Native Americans

representing all of the Montana reservations to Neighborhood Housing Services “Train the Trainer” homebuyer education training, and getting reservation title and foreclosure procedures in sync with mortgage lending practices.

### **DIRECTOR’S UPDATE**

Bruce Brensdal said the Montana House has the first two houses almost sold and application are pending for the next two houses.

The Travel Policy was given to the Board members for their information.

The next meetings is scheduled for November 21<sup>st</sup> in Helena and Board members will give an update on the conference in Boston.

The meeting recessed until the conference call at noon.

### **2005 RA –CONFERENCE CALL UPDATE**

Those in attendance for the Conference call were: Bob Thomas, Susan Moyer, Audrey Black Eagle, Betsy Scanlin, J.P. Crowley, Bruce Brensdal, Mat Rude, Nancy Leifer, Jeannie Huntley, Chuck Nemec, Diana Hall, Bill Tierny, Peter Nolden, Mina Choo, John Wagner, and John Feery.

The conference call convened at noon with a quorum of Board members established. Peter Nolden said the retail order period this morning was for in-state Montana residents. John Feery said the 10-year US Treasury is currently at 4.49% and the 30-year Treasury is at 4.71%. There is continual erosion in the US Treasury market and the municipal market based upon economic indicators that continue to point towards interest rates going higher and inflation being evident in the market place.

The Consumer Price Index (CPI) number that came out on Friday highlighted the fact the Fed will be raising rates at the next meeting which is in two weeks. Initially the market thought it would be .25 basis points, but now there is talk it could be by .50 basis points at the next meeting and then further raising of rates at the December meeting, so it could be at 4.50% at January 1. At the same time, they are seeing a curve flattening. The 2-year Treasury is at 4.26% and the 3-year Treasury is at 4.30%, the 10-year at 4.49%, and the 30-year is at 4.71% which makes a flat curve, so there are challenges in the market finding investors to participate in every single part of the curve. Tomorrow has the CPI coming out and will probably be viewed negatively by the market. The calendar has \$6.5 billion in total issue in the next week and shows a record pace up 10-20% to finish the year. John expects a volatile market place and trends to higher rates, so he recommends going sooner rather than later. The Retail Order Period utilized the management team distribution capability in the local market for participation in the transaction giving them a one day advance sale. At the same time, they worked with the institutional investors which will drive the overall pricing. Almost \$2 million bonds are sold on the transaction in the local market with scattered maturities throughout from 2006-2026. The bonds have gone out aggressively and John gave the scale for the bond sale.

Peter Nolden said the scale is in the ballpark of where they had been to project savings. \$2 million plus would be created of 0% participation. Those participations would be used by MBOH to fund a portion of the mortgage loans at 0% and a portion from the prior deal at 5.50%, which would give the homebuyer a net mortgage payment of 5.25%. MBOH has already lowered the lending rate to 5.25%, so this is a way the economics of that action will be the same as if the rate was left at 5.5%.

In addition, the non-AMT bonds are allowed by bond counsel to go out as far 2044 and have reopened the window for 9.5 years where all repayments of principle can be recycled into new loans for the special programs to persons who are not first-time homebuyers. The proposal is to watch the market overnight and continue the Retail Order Period for a couple more hours today. The regular order period will run a couple hours on Tuesday and then Bruce can give a verbal award of the bonds. The Board will meet by conference call on Wednesday morning to formally award the bonds and take official action on the bond resolution. Peter said they are taking bids on float fund but may not award them. Susan Moyer moved to give the Executive Director the authority to verbally accept the offer. Audrey Black Eagle seconded the motion. The Chairman asked for public comments. The motion passed unanimously. Peter said the rating from Moody's is Aa1 and have moved their outlook from stable to positive.

The meeting adjourned at 12:15 p.m.

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J. P. Crowley, Secretary

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Date